

ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed



April 30, 2010

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OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

April 30, 2010

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This report discusses the results of a performance audit of two firm fixed-price contracts currently valued at \$72.8 million for the construction of the Afghanistan National Army garrison in Kunduz Province. It includes two recommendations to the U.S. Commanding General of the U.S. Army Corps of Engineers to address construction issues observed at the site and one recommendation to improve oversight.

A summary of this report is on page ii. This performance audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law No. 110-181 and the Inspector General Act of 1978, as amended. When preparing the final report, we considered comments from the U.S. Army Corps of Engineers (USACE) and the NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A). In their comments, USACE concurred with the recommendations and NTM-A/CSTC-A concurred with the findings of the report. Copies of the comments are included in appendices II and III of this report.

A handwritten signature in black ink, appearing to read "John Brummet".

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Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-10-09

April 2010

ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed

What SIGAR Reviewed

One objective of coalition efforts in Afghanistan is to build the country's capacity to provide for its own security by training and equipping the Afghan National Security Forces (ANSF). Current plans call for the Afghanistan National Army (ANA) to grow from 103,475, as of June 2009, to almost 172,000 by October 2011. As a result, additional facilities will be needed to train, base, and house the Afghan forces. The NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A), through the Afghanistan National Security Forces Fund, is providing \$72.8 million to establish an ANA garrison in Kunduz, located in Kunduz province on Afghanistan's northern border. Large enough to house 1,800 personnel, the garrison is being built in two phases by DynCorp International, LLC. The U.S. Army Corps of Engineers (USACE) Afghanistan Engineer District-North (AED-North) provides program management and oversight of construction. This report addresses the contracts' cost, schedule, and outcome; oversight; and the sustainment of the Kunduz garrison. We examined criteria and guidance in the Federal Acquisitions Regulations (FAR) and the AED District Level Quality Assurance Plan for Construction, dated December 15, 2008. We interviewed officials from NTM-A/CSTC-A and AED-North, as well as the prime contractor. We performed a site inspection of the garrison from January 26-28, 2010. We conducted our work in Kabul, Afghanistan, and Washington, D.C., from November 2009 to April 2010 in accordance with generally accepted government auditing standards.

What SIGAR Found

Phases I and II of the Kunduz garrison are behind schedule. Both phases are scheduled to be completed by August 2010. The project increased in cost because AED-North exercised 34 options in the original contract. During our inspection, we found several construction issues, including poor welds and rust that may weaken roof supports and lead to failure. However, the most serious issue we observed was severe settling of the soil, which has led to damaged structures. This condition is aggravated by inadequate grading that will contribute to pooling of water and flooding.

AED-North did not meet certain USACE requirements for conducting oversight and maintaining contract files. Although progress payments were documented properly, certain documents, such as quality assurance reports, were not in the files as required. AED-North's quality assurance was initially lacking but improved over time due to new personnel.

NTM-A/CSTC-A officials stated that they were unaware of any planning documents or justification for the garrison that addressed the strategic deployment of troops, garrisons, locations, or operations. Planning reports we reviewed did not address these matters. Without an updated strategy that reflects current ANSF requirements, NTM-A/CSTC-A runs the risk of building facilities that do not meet ANA needs. NTM-A/CSTC-A is developing a process to determine if the requirements for a garrison or other infrastructure are the same or have changed. NTM-A/CSTC-A officials stated that the government of Afghanistan does not have the financial or technical capacity to sustain ANSF facilities once they are completed. Current plans call for all ANSF facilities to be turned over to the Afghanistan government by 2013 for operations and maintenance.

What SIGAR Recommends

SIGAR is making three recommendations to address construction issues and improve oversight. To ensure the structural integrity of the construction of the Kunduz garrison, SIGAR recommends that the U.S. Commanding General, USACE, direct AED-North to (1) repair the welds and mitigate the rust on steel supports on the affected structures; and (2) resolve the soil stability issue and determine what mitigation or corrective actions are required for DynCorp to complete, including ensuring that the site is properly graded. Furthermore, to address contract oversight issues, SIGAR recommends that the U.S. Commanding General, USACE, direct AED-North to (3) ensure the Kunduz's garrison's contract files are maintained according to USACE guidance.

In response to a draft of this report, USACE concurred with SIGAR's recommendations.

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Photo: Guardhouse and wall on soil that has settled at Kunduz ANA garrison, Jan. 2010.



TABLE OF CONTENTS

Background	2
Construction of the Kunduz Garrison Is Not Within the Original Schedule	4
Contract Management and Oversight Did Not Meet All U.S. and Contract Requirements	11
NTM-A/CSTC-A Lacks Overall Planning for ANSF Facilities but Is Developing a Process to Meet Changing Requirements and Provide for Sustainment	13
Conclusions	15
Recommendations	15
Comments	15
Appendix I: Scope and Methodology	17
Appendix II: Comments from the U.S. Army Corps of Engineers	19
Appendix III: Comments from NATO Training Mission-Afghanistan/ Combined Security Transition Command-Afghanistan	24

TABLES

Table 1: Completion Dates and Award Amounts for the Kunduz ANA Garrison	4
Table 2: Modifications to Contract W9PM-08-C-0033, Phase I	5

FIGURES AND PHOTOS

Figure 1: Map of Provinces in Afghanistan	2
Figure 2: Master Plan of Kunduz ANA Garrison, Phase I	3
Photo 1: Poor Quality Welds on Sway Bracing at Kunduz ANA Garrison	6
Photo 2: Rust on Steel Supports at Kunduz ANA Garrison	7
Photo 3: Guardhouse and Wall on Soil that Has Settled at Kunduz ANA Garrison	8
Photo 4: Soil with Underground Cavity at Kunduz ANA Garrison	8
Photo 5: Settling along the Embedded Training Team Compound Wall at Kunduz ANA Garrison	9
Photo 6: Roadbed Showing Settling at Kunduz ANA Garrison	10
Photo 7: Lack of Grading that Contributed to Soil Settling at Kunduz ANA Garrison	11

ACRONYMS

AED-North	Afghanistan Engineer District-North
ANA	Afghanistan National Army
COR	Contracting Officer's Representative
FAR	Federal Acquisition Regulation
MOD	Ministry of Defense
NTM-A/CSTC-A	NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan
RE	Resident Engineer
SIGAR	Special Inspector General for Afghanistan Reconstruction
USACE	U.S. Army Corps of Engineers



ANA Garrison at Kunduz Does Not Meet All Quality Standards and Oversight Requirements; Serious Soil Issues Need to Be Addressed

One objective of coalition efforts in Afghanistan is to build the country's capacity to provide for its own security by training and equipping the Afghan National Security Forces (ANSF).¹ In 2001, the Bonn Agreement initially set troop levels for the Afghan National Army (ANA) at 50,000. New plans called for the ANA to grow from 103,475, as of June 2009, to 171,600 by October 2011. As a result of these increases, additional facilities are needed to train, base, and house the Afghan forces. Through fiscal year 2009, about \$25 billion has been appropriated for this purpose through the Afghanistan Security Forces Fund, which provides the funding to train and equip the ANSF and build these facilities. The ANA garrison, located in Kunduz Province, will house approximately 1,800 personnel. The NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A)² is providing \$72.8 million to construct the garrison in two phases. The U.S. Army Corps of Engineers (USACE) Afghanistan Engineer District-North (AED-North)³ awarded two firm fixed-price contracts for program management and oversight of Phases I and II to DynCorp International LLC.

This report addresses (1) whether the Kunduz garrison was constructed within the terms of the contract, including schedule and cost;⁴ (2) whether USACE oversight of the Kunduz garrison construction was conducted in accordance with the Federal Acquisition Regulation (FAR), USACE requirements, and oversight provisions of the contract; and (3) what NTM-A/CSTC-A's overall justification for the garrison was and what plans it has for sustainment of ANSF facilities.

To accomplish these objectives, we reviewed all contracts, statements of work, modifications, and contract files for the Kunduz garrison.⁵ We examined criteria and guidance in the FAR and the AED

¹ ANSF includes the Afghan National Army and the Afghan National Police.

² NTM-A/CSTC-A was created in November 2009 and operates with a single commander for both the U.S.-led CSTC-A and NATO. The mission provides training for the ANA, including defense colleges and academies, develops doctrine, and trains and mentors the Afghan National Police.

³ AED officially divided into two sections on August 3, 2009. AED-South handles construction in Regional Commands South and West, and AED-North handles construction in Regional Commands North and East.

⁴ Firm fixed-price contracts provide for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. Firm fixed-price contracts require the contractor to deliver services within an agreed-upon schedule and cost to the United States. Throughout this report, we refer to "cost" as the cost to NTM-A/CSTC-A to provide this garrison.

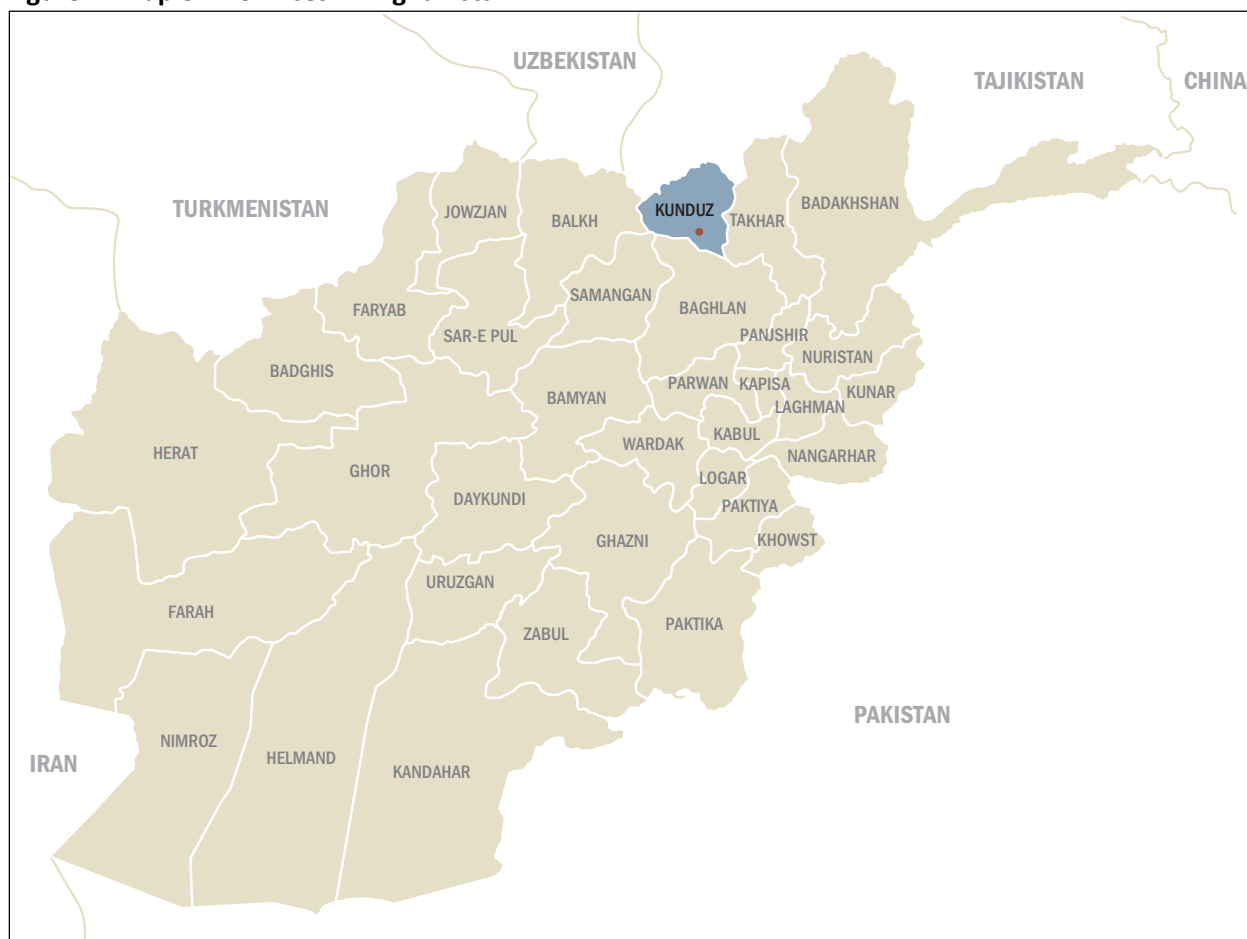
⁵ The FAR defines a contract modification as a minor change in the details of a provision or clause that is specifically authorized by the FAR and does not alter the substance of the provision or clause.

District Level Quality Assurance Plan (DLQAP) for Construction, dated December 15, 2008. We interviewed officials from NTM-A/CSTC-A, AED-North, USACE, and DynCorp International LLC, and conducted a site inspection of the Kunduz ANA garrison on January 26-28, 2010. We conducted our work in Kabul, Afghanistan, and Washington, D.C., from November 2009 to April 2010 in accordance with generally accepted government auditing standards. Appendix I presents a more detailed discussion of our scope and methodology. This report is one in a series of Special Inspector General for Afghanistan Reconstruction (SIGAR) performance audits that examine contract cost, schedule, and outcome; oversight; and sustainment.

BACKGROUND

NTM-A/CTSC-A, in partnership with the government of the Islamic Republic of Afghanistan and the international community, plans and implements reforms of the ANSF to develop a stable Afghanistan, strengthen rule of law, and defeat terrorism within its border. NTM-A/CTSC-A provides advisors, mentors, and trainers to the Ministry of Defense (MOD) and Ministry of Interior. NTM-A/CSTC-A is providing \$72.8 million for the Kunduz ANA garrison. See figure 1 for a map of the provinces in Afghanistan.

Figure 1: Map of Provinces in Afghanistan



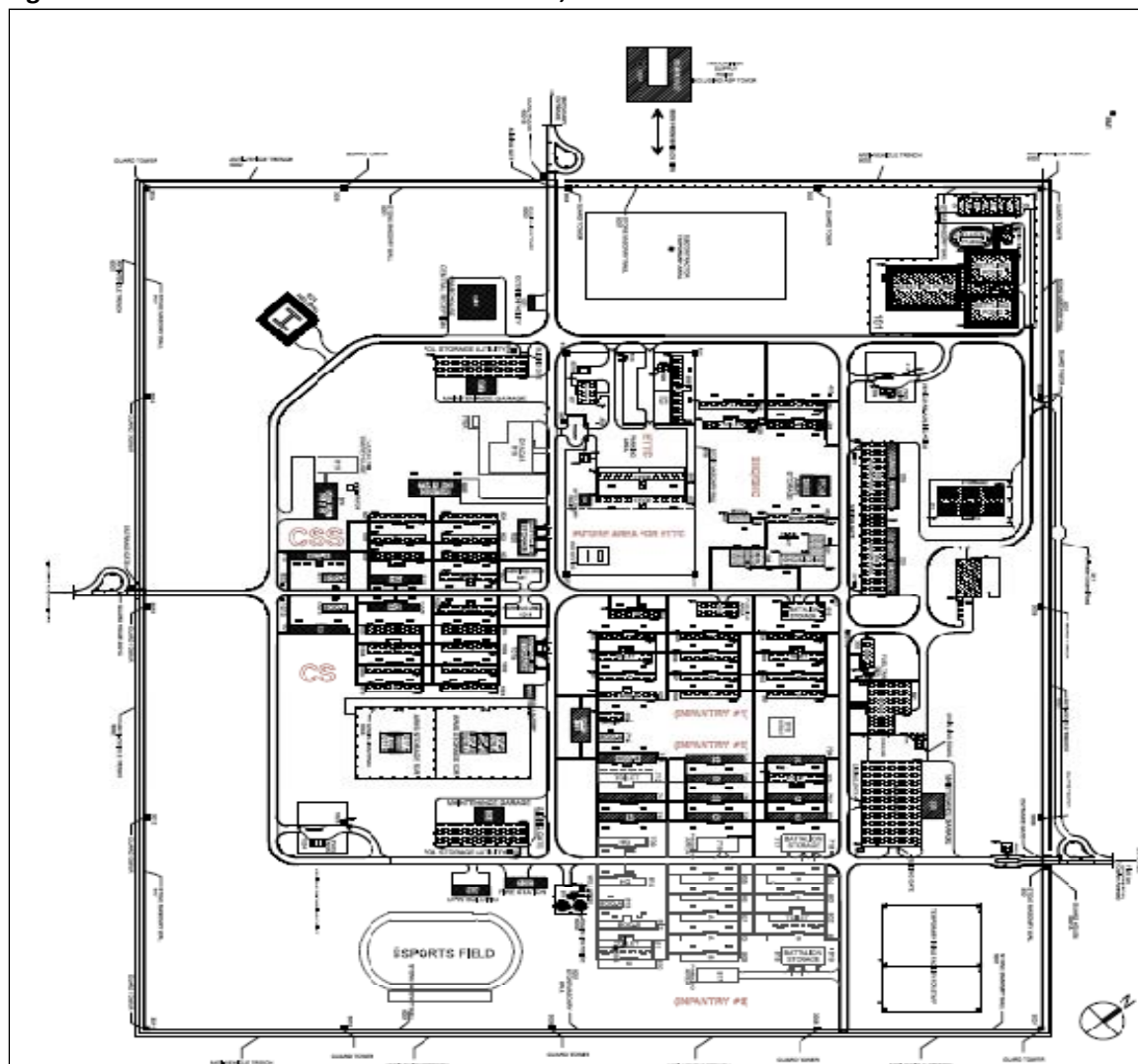
Source: SIGAR, April 23, 2010.

The Kunduz ANA garrison will house approximately 1,800 personnel, as well as embedded trainers at the garrison. The project has been divided into two phases. These phases include:

- **Phase I** – barracks, storage facilities, dining facility, and embedded training team compound for U.S. trainers.⁶
- **Phase II** – additional barracks, a medical clinic, and a detention facility.

Figure 2 provides the master plan for Phase 1.

Figure 2: Master Plan of Kunduz ANA Garrison, Phase I



Source: USACE, January 2010.

⁶ Current plans are that the embedded training team compound will house German soldiers to work with the ANA battalions. According to USACE, the construction of this compound is not supposed to be funded through ASFF, as the use of those funds is restricted for the training, equipping, and sustaining the Afghanistan National Security Forces. During the course of this review, SIGAR requested clarification from NTM-A/CSTC-A on the source of funds used to pay for the construction of the compound.

CONSTRUCTION OF THE KUNDUZ GARRISON IS NOT WITHIN THE ORIGINAL SCHEDULE

Phases I and II are both behind their original schedule but both phases are expected to be completed by August 1, 2010. The cost of Phase I, awarded for more than \$30 million, has increased by more than \$19 million because AED-North exercised 34 options⁷ in the original contract to upgrade and expand the garrison. Phase II has not experienced any cost increases. The project has significant quality assurance issues, which include poor quality welds, rust on steel supports, and serious soil stability issues. Table 1 shows the status of the cost and schedule for the garrison's two phases. The construction delays have forced ANA to house troops in tents.

Table 1: Completion Dates and Award Amounts for the Kunduz ANA Garrison

Phase	Original Completion Date	Current Completion Date	Original Award Amount	Current Award Amount	Percentage Complete ^a
I	Jan. 10, 2009	Aug. 1, 2010	\$30.3 million	\$49.5 million ^b	77
II	June 16, 2009	Aug. 1, 2010	\$23.3 million	\$23.3 million	58

Source: SIGAR analysis of contract, modifications, notices to proceed, and Resident Management System reports.

Notes:

^a Percentages as of April 7 and 8, 2010.

^b The original award amount increased \$19 million due to 34 options AED exercised.

Phase I Is Behind Schedule and Costs Have Increased Due to Exercising Options in the Contract

Although Phase I was to be initially completed on January 10, 2009, and extended until March 1, 2009, the current anticipated completion date is August 1, 2010, according to AED-North documentation. AED-North awarded Phase I of the Kunduz ANA garrison to DynCorp International LLC on February 28, 2008, for about \$30.3 million. AED-North issued four modifications to the Phase I contract resulting in cost increases of about \$19.2 million. The cost increase resulted from AED-North exercising 34 options listed in the original contract. Table 2 summarizes the modifications to the contract.

⁷ Options are line items identified in the original contract as additions that may be included in the contract at the request of the contracting authority. The options are exercised by means of a contract modification.

Table 2: Modifications to Contract W9PM-08-C-0033, Phase I

Modification	Date	Purpose	Cost/Schedule Change
P00001	April 8, 2008	Exercised four options, including solid waste collection point; paints, oil, lubricants building; vehicle re-fueling point; access road	Cost increased by more than \$1 million
P00003	May 24, 2008	Added a bread oven and buildings to house the ovens	No change
A00001	May 25, 2008	Upgraded systems for water supply, sewage treatment and sewer, and power supply	Completion date extended to March 1, 2009
P00002	June 15, 2008	Exercised 30 options including an anti-vehicle trench; battalion headquarters and storage; bachelor officer quarters; bunkers; communications building; garrison headquarters; infantry barracks; motor pool; and four toilet/shower/laundry/ablution buildings	Cost increased by more than \$18 million

Source: SIGAR analysis of contract, modifications, notices to proceed, and Resident Management System reports.

According to AED-North officials, as of April 7, 2010, Phase I was 77 percent complete. Additionally, AED-North has made payments of more than \$38 million toward the total contract cost of Phase I. Because DynCorp did not meet the terms of the contract's schedule, certain monetary damages⁸ may be assessed at the completion of Phase I. At that point, AED-North and DynCorp will determine the final amount of damages that DynCorp will provide to AED-North.

Phase II Is Behind Schedule with No Cost Increases

Although Phase II was to be completed by June 16, 2009, according to AED-North documentation the current anticipated completion date is August 1, 2010. AED-North awarded Phase II of the Kunduz ANA garrison to DynCorp International LLC on July 6, 2008, for \$23.3 million. AED-North has not issued any modifications to the contract for Phase II. According to AED-North, as of April 8, 2010, Phase II is 58 percent complete. Additionally, AED-North has made payments of more than \$13 million toward the total cost of Phase II. Because DynCorp did not meet the terms of the contract's schedule, certain

⁸ These damages, also called liquidated or ascertained damages, are the amount the parties designate during contract negotiation that the injured party will collect as compensation if a breach in contract occurs, such as late performance.

monetary damages may be assessed at the completion of Phase II. At that point, AED-North and DynCorp will determine the final amount of damages that DynCorp will provide to AED-North.

Some Issues with Construction Quality Indicate a Lack of Quality Control and Oversight

We conducted an inspection of the Kunduz garrison on January 26-28, 2010, and identified quality assurance issues with the construction. We observed poor quality welds and rust forming on the steel roof support beams. According to quality assurance reports, the poor quality welds and rust were an ongoing problem that AED-North and DynCorp were addressing prior to our site inspection. At that time, we noted that these issues still needed to be addressed. In addition, we observed serious soil stability issues that led to damaged structures. Finally, we observed improper grading at the site.

Poor Quality Welds Indicate Lack of Quality Control and Quality Assurance Oversight

We observed that welds on sway bracing in barracks and other facilities on the garrison were not in compliance with welding standards as specified in the contract by reference to the American Welding Society code.⁹ We visually inspected the welds and found them to be irregular, filled with holes, and lacking the required continuity or section buildup. The cause appeared to be poor welding technique likely due to inadequately trained welders and poor or non-existent quality control and quality assurance. As a result, the deficient welds create a structural system that is incapable of providing adequate support. A heavy load may cause the sway bracing to fail and the roof to sag or collapse. See photo 1 for depiction of poor welds.

Photo 1: Poor Quality Welds on Sway Bracing at Kunduz ANA Garrison



Source: SIGAR, January 27, 2010.

⁹ American Welding Society, 1998 Structural Welding Code.

Rust on Steel Supports

We observed that rust was breaking through the coat of primer that covered the sway bracing and the roof purlins¹⁰ at various locations. Oxidation or rust occurred because the primer coat had been applied too thinly and moisture had formed on the exposed steel. As a result, rust will damage the structural integrity of the steel. At some point, the roof may sag or collapse. See photo 2 for an example of rust on the structural steel.

Photo 2: Rust on Steel Supports at Kunduz ANA Garrison



Source: SIGAR, January 27, 2010.

Serious Soil Stability Issues Have Affected Structures' Integrity

The most serious quality control issue observed on our January 2010 site inspection was severe settling of the soil under several structures following a rainfall in December 2009. We observed several areas where structures were damaged and unusable as a result of settling. For instance, photo 3 shows the structural failure of a guard tower and adjacent stone wall caused by the settling. Furthermore, the roadbed at the adjacent intersection had also settled, and we observed a large area that appeared to be collapsing into a cavity under the roadbed at this intersection (see photo 4) and at other locations throughout the construction site. AED-North officials at the site stated that a large pool of water had been at the roadbed intersection where we saw the severe settlement. This area was at the low end of the site and rough grading had directed the rain water to this area.

¹⁰ A purlin is a roof support member perpendicular to and spanning the main roof support trusses or beams.

Photo 3: Guardhouse and Wall on Soil that Has Settled at Kunduz ANA Garrison



Source: SIGAR, January 27, 2010.

Photo 4: Soil with Underground Cavity at Kunduz ANA Garrison



Source: SIGAR, January 27, 2010.

In January 2010, the Resident Engineer (RE) for AED-North stated that DynCorp had submitted a request in December 2009, to modify the contract due to “differing site conditions” to cover the costs of repairing the damages resulting from the settling. AED-North denied the request but was investigating the causes of the settling. Following our site inspection, we reviewed three AED-North reports about the Kunduz soil issues,¹¹ which indicated that the probable cause for the severe settling is a lack of adequate site preparation before constructing the buildings. According to these reports, the soil at the site appears to have the characteristics of collapsible soil (see photos 5 and 6).¹² One report noted that an AED-North official spoke with a German Provincial Reconstruction Team engineer who stated that the Germans were aware of the special nature of the soil. This report notes that the Germans conducted a soil study in 2004 and found that the soil in Kunduz was a collapsible soil.

Photo 5: Settling along the Embedded Training Team Compound Wall at Kunduz ANA Garrison



Source: AED-North, December 2009.

¹¹ AED-North, *Trip Report for Kunduz Investigation of Soil Surface Depressions*, Dec. 19, 2009; *Second Trip Report for Kunduz Investigation of Soil Subsidence—DynCorp’s engineering efforts for their defense of claims and an interim site visit by QAB*, Feb. 4, 2010; and AED-North, *Third Report for Kunduz Investigation of Soil Subsidence—Summary of the German Soils Report*, Feb. 12, 2010.

¹² Collapsible soil consists of loose, dry, low-density materials that collapse and compact if exposed to water, such as pooling after a heavy rainfall.

Photo 6: Roadbed Showing Settling at Kunduz ANA Garrison



Source: AED-North, December 2009.

This problem is further exacerbated if the site grading or slope is not sufficient to carry away excess water. The December 2009 AED-North report noted that the rainfall that month caused severe soil settling at 42 locations on the Kunduz garrison construction site. According to a December 2009 letter addressed to AED-North from DynCorp, as many as 48 sites in and around the garrison show signs of collapsed soil. In February 2010, we noted that the condition appears to be present throughout the garrison site and future rainfall will likely cause the soil and additional areas to collapse, jeopardizing other structures. In April 2010, we had further discussions with DynCorp and AED-North officials. While both AED-North and DynCorp agree that the soil under the site is a collapsible soil, they have not agreed on a course of corrective action.

Poor Grading May Result in Future Drainage Issues

The contract requires a site grading plan for drainage and that foundations must be at least 6 inches higher than the surrounding terrain to ensure that rainwater will drain away from the structure. Because the Kunduz garrison construction site is relatively flat, proper soil grading is essential. However, we noted the grading at the site was inconsistent and would not enable rainwater to run off the site. As a result, the soil issues described above were likely exacerbated. Photo 7 shows an area around a building where the grading does not meet the contract requirement for drainage. The photo also shows an area where the collapsible soils have been exposed to rain water and collapsed approximately 6 to 12 inches below the sidewalk. If left uncorrected, future rainfalls will further damage this structure.

Photo 7: Lack of Grading that Contributed to Soil Settling at Kunduz ANA Garrison



Source: AED-North, December 2009.

CONTRACT MANAGEMENT AND OVERSIGHT DID NOT MEET ALL U.S. AND CONTRACT REQUIREMENTS

We found that contract management and oversight did not meet all U.S. and contract requirements. Although we found that progress payments were documented properly, quality assurance reports were initially non-existent. AED-North personnel lacked training certificates and contract files were not maintained according to USACE guidance. During Phase I, DynCorp was issued an interim unsatisfactory rating for Phase I and AED-North's quality assurance was initially lacking but improved over time due to new personnel.

We found that progress payments made to the contractor for the two contracts were documented properly. According to the FAR, the Contracting Officer's Representative (COR) is responsible for reviewing payment vouchers submitted by the contractor and for approving the payments. For example, AED-North personnel meet monthly with the contractor to agree upon the percentage of completed work that would be acceptable by the contractor and the COR for that month. The contractor then submits the request for payment to the COR for processing. The alternate contracting officer reviews and approves the payment request. The contracting officer authorizes the final payment.

We found that the lack of daily quality assurance reports indicated that the quality assurance process was virtually non-existent during the first 9 months of the project. Because there were no reports, we could not verify if materials were substituted or if foundations and other covered work were constructed to contract requirements. According to AED-North, security issues limited quality control activities and prevented scheduled site visits. According to USACE guidance, the Quality Assurance Representative is to complete daily quality assurance reports, and each site visit must be documented with a quality assurance report. These reports include information on the construction completed, tests performed, security and safety issues, progress, and problems. Based on our review of these reports, we found that the issues the Quality Assurance Representative identified were not adequately followed up

on in subsequent reports. However, once new personnel were assigned as COR and Quality Assurance Representative, quality assurance reports were more frequent and more detailed.

During our review, we were not provided training certificates of the AED-North personnel assigned as CORs and the RE to determine if they had received the required training. According to the USACE guidance, AED personnel responsible for quality assurance—including area engineers, resident engineers, and construction representatives—receive initial training at the USACE Deployment Center. This training includes brief overviews of (1) AED organization and field office locations, (2) types of construction undertaken in-theater, and (3) Resident Management System software for construction management. Once in-theater, AED construction personnel can take online COR training. However, we could not determine whether they received this training because AED could not provide us with the necessary documentation.

Contract files were not organized according to USACE guidance or were nonexistent. According to USACE guidance, contract files must be organized to provide the history of the contract to in-coming personnel; this contributes to continuity of oversight of contractor performance. At the AED-North offices in Kunduz, we reviewed the contract files for Phase I and found that several key documents were missing. In addition, the Phase II contract files contained no documents. Adequate documentation of contract management and contractor performance is essential to support actions taken toward the contractor, as well as to support future decisions for corrective action on the contract. Incomplete contract files hamper adequate monitoring and management of projects.

According to AED-North, an interim unsatisfactory rating was issued to DynCorp on November 9, 2008, for Phase I. AED-North identified issues with DynCorp's lack of construction progress in September 2008 and requested that DynCorp submit a recovery plan and updated schedule for completing the contract within the required contract time. The rating identified DynCorp as behind schedule with no significant improvement observed after 2 months into a recovery plan for the project. Additionally, no significant activities were observed on the ground to show DynCorp had increased its manpower in response to concerns raised by AED-North. AED-North also issued a Letter of Concern to DynCorp for delays in Phase II of the project in July 2009.

The interim unsatisfactory rating for Phase I did not include DynCorp's formal response to the rating. However, DynCorp officials cited two issues contributing to delays on the project. The initial subcontractor hired did not satisfactorily perform work and was fired from the project. DynCorp experienced problems obtaining construction materials through Afghanistan customs.

The RE and COR stated that significant improvements in construction productivity have occurred since May 2009. The RE and COR attributed this to DynCorp's hire of a new onsite project manager. The DynCorp program manager also has instituted weekly coordination meetings along with weekly production meetings with the subcontractors. Additionally, AED-North implemented an aggressive schedule to ensure that DynCorp meets key project milestones.

NTM-A/CSTC-A LACKS OVERALL PLANNING FOR ANSF FACILITIES BUT IS DEVELOPING A PROCESS TO MEET CHANGING REQUIREMENTS AND PROVIDE FOR SUSTAINMENT

NTM-A/CSTC-A was not aware of any planning documents or justification for the garrison that provided information on the strategic deployment of ANA troops, garrison locations, or operations. As of February 2010, NTM-A/CSTC-A officials told us that they are developing a process to capture changing ANSF facility requirements. In addition, because the government of Afghanistan does not have the capacity to sustain the ANSF facilities, AED is in the process of awarding two new contracts to provide operations and maintenance for them.

Lack of Overall Planning for Facilities, but a Process Is Being Developed to Capture Changing Requirements

In February 2010, NTM-A/CSTC-A officials stated that they were unaware of any planning documents or justification for the garrison that provided information on the strategic deployment of ANA troops, garrisons, locations, or operations. NTM-A/CSTC-A provided us with the Office of the Secretary of Defense, Fiscal Year 2008, Security Forces Fund Justification for Iraq Security Forces Fund (ISFF) and ASFF. This funding document cited an ANA Master Plan for Facilities Development, October 2005. However, NTM-A/CSTC-A officials were not aware of this document nor could they provide us with any other planning documents that addressed this issue.¹³

In addition, other documents we reviewed did not provide information on overall planning. For example, the June 2008 *United States Plan for Sustaining the Afghanistan National Security Forces* provides details on how NTM-A/CSTC-A would work with MOD and Ministry of Interior to increase management and assessment procedures for the ANSF. Additionally, NTM-A/CSTC-A, in close coordination with the government of Afghanistan, developed the *Campaign Plan for the Development of Afghan National Security Forces* in September 2008. The goals of the plan are to build and develop ministerial institutional capability and to generate and develop the fielded forces. However, neither of these plans provides information on the strategic deployment of ANA troops, garrison locations, or operations. When we asked NTM-A/CSTC-A officials for any overall planning or justification documents used for the construction of the garrison, they stated that they were unaware of any overall plans or justification documents. An overall planning document or justification for the garrison is important for NTM-A/CSTC-A and the MOD to ensure that, as requirements change, the initial scope can be adapted as needed and resources can be prioritized and used effectively to achieve strategic goals.

Without an updated strategy that reflects current ANSF requirements, NTM-A/CSTC-A runs the risk of building facilities that do not meet ANA needs. For example, a senior NTM-A/CSTC-A official stated that it may be possible that a garrison built based on 2006 plans and perceived needs would have different

¹³ In April 2010, NTM-A/CSTC-A provided us a document referred to as a “Conceptual Master Plan for the ANA” that was developed in the spring and summer of 2006. The document addresses the mission and facility requirements for a number of ANA command level organizations—including the Kabul Military Training Center, a Ministry of Defense Compound, a Medical Command, an Acquisition Agency, and an Afghan National Army Training Command. The planning and analysis of these ANA facilities appears detailed and comprehensive. However, the plan provided to us does not address ANA garrisons, is not signed or dated, and is missing numerous pages.

needs 5 years later. He stated that, to address these concerns, NTM-A/CSTC-A is creating a process to capture the changing requirements of the garrisons as they move forward to help ensure that adjustments can be made if requirements change from those originally envisioned.

The Government of Afghanistan Does Not Have the Capacity to Sustain the ANSF Facilities, but Goal of New Contracts Is to Provide for Sustainment of Facilities and Training of Afghans

NTM-A/CSTC-A officials stated that the government of Afghanistan does not have the financial or technical capacity to sustain Kunduz or other ANSF facilities once they are completed. Since 2002, the United States and the international community have provided funding for sustainment of the ANA. According to the NTM-A/CSTC-A 2008 campaign plan, future costs of sustainment may continue through 2025. In September 2006, AED awarded an operations and maintenance contract for \$200 million to Contrack International Inc. to provide for the sustainment of ANSF facilities. When the current contract expired on October 15, 2009, AED exercised an option to extend the ANA contract with Contrack International Inc. for 6 months. Currently, Contrack International Inc. is not conducting operations and maintenance at Kunduz since the project is not complete.

According to the AED program manager for operations and maintenance, two new contracts for operations and maintenance for ANSF facilities will be awarded by May 21, 2010. These contracts will cover ANA and ANP facilities in northern and southern Afghanistan for \$450 million and \$350 million, respectively. According to the program manager, these contracts will be for 1 base year plus 4 optional years. These contracts will be indefinite delivery/indefinite quantity contracts¹⁴ with task orders for operations and maintenance activities written against the contracts for specific locations. According to the program manager for operations and maintenance, a total of 663 sites will be covered over the life of these contracts. However, not all sites are completed and will be added with task orders as warranted.

According to the AED official program manager for operations and maintenance, the new contracts will require a training program for Afghan workers in all aspects of operations and maintenance. The program will be expanded with each additional year to include all regions in Afghanistan. According to the program manager, NTM-A/CSTC-A plans to transfer responsibility for all operations and maintenance for the ANSF facilities to the government of Afghanistan by 2013. The contractor will train Afghans to support these functions. The MOD will begin taking responsibility in selected locations beginning in 2010 with all locations phased in over time. The additional option years for the contract would be included if all the ANSF facilities are not turned over by 2013.

¹⁴ Indefinite delivery/indefinite quantity contracts may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award.

CONCLUSIONS

The Kunduz ANA garrison is scheduled for completion in August 2010 at an increased cost of about \$19.2 million because AED-North exercised certain contract options to upgrade and expand the garrison. We found several construction issues, including poor welds and rust on roof supports that may cause roofs to sag or collapse. The most serious issue we observed, however, was the severe settling of the soil around several structures that occurred after a rainfall in December 2009. As a result, a guard tower, wall, and road bed have been severely damaged, and since that time, additional damage has occurred. The soil condition is aggravated by inadequate grading at the site that contributes to pooling of water and flooding, which further exacerbates the problem. In addition, AED-North did not meet certain USACE requirements for conducting oversight and maintaining contract files. The United States has paid more than \$51 million out of the current contracts' value of \$72.8 million to build this garrison in support of ANA operations in Kunduz Province. To protect U.S. investment in the garrison and provide a functioning center for ANA troops currently housed in tents outside the garrison, the issues we observed—most critically, the soil settling and site grading—need to be addressed.

RECOMMENDATIONS

SIGAR is making three recommendations to address construction issues observed at the site and to improve oversight.

To ensure the structural integrity of the construction of the Kunduz garrison, SIGAR recommends that the U.S. Commanding General, USACE, direct AED-North to address the following construction issues:

1. Repair the welds and mitigate the rust on steel supports on the affected structures; and
2. Resolve the soil stability issue and determine what mitigation or corrective actions are required for DynCorp to complete the garrison, including ensuring that the site is properly graded.

Furthermore, to address contract oversight issues, SIGAR recommends that the U.S. Commanding General, USACE, direct AED-North to:

1. Ensure the Kunduz garrison's contract files are maintained according to USACE guidance.

COMMENTS

USACE and NTM-A/CSTC-A provided written comments on a draft of this report. The comments are reproduced in appendices II and III, respectively. We also met with DynCorp International officials and discussed the draft report with them.

In its response, USACE stated that it concurred with the report's recommendations and has taken or is taking corrective actions. USACE specifically noted that corrective actions on the improper welds and rust formation had been initiated by AED-North and DynCorp prior to our site inspection in January 2010. In addition, USACE provided a 14-page technical fact sheet on the collapsible soils at Kunduz

dated April 12, 2010. The fact sheet was similar to other AED-North documentation we reference in the text of our report; therefore, we did not reproduce it as part of USACE's comments. However, USACE noted that AED-North and the contractor are pursuing an appropriate resolution to this problem. It specifically noted that DynCorp is revising its drainage plan and correcting the deficiencies caused by the soil subsidence. USACE also provided some technical comments that we incorporated into this report, as appropriate.

NTM-A/CSTC-A stated in its response that it concurred with the draft report. It did not specifically comment on the recommendations nor take issue with our description of current plans to provide for the operations and maintenance of the facilities. However, NTM-A/CSTC-A commented on our observation that it could not locate any planning documents or justification for the garrison that provided information on the strategic deployment of ANA troops, garrison locations, or operations. NTM-A/CSTC-A stated that we did not reflect the true state of NTM-A/CSTC-A's operational planning. We understand and appreciate NTM-A/CSTC-A's position, namely, that the rapid operational pace and changing ANA requirements over the last few years cannot be understated. We also did not question the strategic positioning of the Kunduz garrison or whether the garrison requirements were given proper scrutiny. Rather, we questioned why the strategic and tactical requirements for Kunduz and other ANA garrisons had not been more formally documented. In its comments, NTM-A/CSTC-A noted that this point is well taken and specifically noted that access to original documentation must be better for both assessing the continued validity of the requirement and for audit purposes. NTM-A/CSTC-A also provided a number of technical comments and suggestions that we incorporated throughout the report, as appropriate.

Finally, in a meeting with DynCorp officials, they basically concurred with the information we presented. As did USACE, they noted that corrective action on the improper welds and rust spots had begun before our site inspection in January. Finally, DynCorp noted that its major concern is that the cause of the soil collapse is not yet fully understood. According to DynCorp, it has not reached a consensus with AED-North on the root cause of the soil anomalies. As of April 21, 2010, DynCorp had a team of geological and structural experts in Kunduz to further investigate the cause of the soil collapse.

APPENDIX I: SCOPE AND METHODOLOGY

This report provides the results of the Office of the Special Inspector General for Afghanistan Reconstruction's review of the CSTC-A project to construct a garrison in Kunduz. This report addresses (1) whether the Kunduz garrison was constructed within the terms of the contract, including schedule and cost; (2) whether United States Corps of Engineers (USACE) oversight of the Kunduz garrison construction was conducted in accordance with the Federal Acquisitions Regulations (FAR), USACE requirements, and oversight provisions of the contract; and (3) what NTM-A/CSTC-A's overall justification for the garrison was and what plans it has for sustainment of ANSF facilities.

To examine contract outcomes, including schedule and cost, we met with officials from NTM-A/CSTC-A, AED-North, USACE, and DynCorp international LLC. We reviewed the contracts, statements of work, notices to proceed, and modifications for Phases I and II. We conducted a site inspection of the Kunduz ANA garrison during January 26-28, 2010, to observe the project and identify any quality assurance issues that AED-North would need to address. We used computer processed data from the U.S. Army Corps of Engineers' Resident Management System to determine the progress and payments made to date for each contract we reviewed. In addition, the Resident Management System provided information on issues and challenges for each contract. We verified information in the system with hard-copy contract files. Though the Resident Management System had some minor errors, we determined that these data were sufficient for the purposes of our review.

To examine the contracting process and oversight, we met with officials from NTM-A/CSTC-A, AED-North, and DynCorp international LLC. We reviewed criteria and guidance in the FAR and the AED District Level Quality Assurance Plan for Construction, dated December 15, 2008, to determine if the contracting process and oversight of the contract met requirements. Additionally, we reviewed AED guidance to determine the roles and responsibilities for AED personnel. We reviewed contract award documentation, solicitation paperwork, contract, statement of work, notices to proceed, and modifications for the Kunduz garrison to determine if the contracting process met criteria established in USACE guidance. We reviewed the contract files for Kunduz to determine if the contract files were maintained according to USACE guidance. We reviewed and analyzed a judgmental sample of the quality assurance reports and the quality control plans for each contract to determine if the COR's oversight met USACE guidance. We reviewed the progress payments obtained from AED-North to determine if payments made on the contract were done so in accordance with the FAR and USACE guidance. We reviewed the unsatisfactory rating DynCorp received to determine the reasons for the delays for Phase I. In conducting the audit, we assessed certain internal controls pertinent to the audit objectives regarding the administration and oversight of the project. Specifically, we identified and reviewed internal and management control procedures required by the FAR and the AED District Level Quality Assurance Plan for Construction, dated December 15, 2008. We relied on available documents in the contract files and analyzed these documents to determine if the internal controls for this project were adequate. The specific results of our review are contained in the findings sections of the report.

To examine U.S. government efforts to transfer the project to the government of Afghanistan and provide for its sustainment, we met with officials from NTM-A/CSTC-A and AED-North to identify any sustainment plans the government of Afghanistan has in place. We reviewed the current operations and maintenance contract to determine the total cost to sustain the ANSF facilities. We also reviewed

CSTC-A's Campaign Plan for the Development of Afghan National Security Forces and the June 2008 United States Plan for Sustaining the Afghanistan National Security Forces.

This report is one in a series of Special Inspector General for Afghanistan Reconstruction performance audits that examines contract cost, schedule, and outcome; oversight; and sustainment. We conducted work in Kabul, Afghanistan, and Washington, D.C., from November 2009 to April 2010 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law No. 110-181, and the Inspector General Act of 1978, as amended.

APPENDIX II: COMMENTS FROM U.S. THE ARMY CORPS OF ENGINEERS



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G STREET, NW
WASHINGTON, DC 20314-1000

CEIR


26 April, 2010

MEMORANDUM FOR Assistant Special Inspector General For Afghanistan Reconstruction
400 Army Navy Dr, Arlington, Virginia 22202

SUBJECT: USACE Response to Special Inspector General Draft Report for Afghanistan Reconstruction SIGAR audit 10-09, Contract Performance Oversight, ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed.

1. Reference Draft SIGAR Report, 10- 09 dated April 2010.
2. The U.S. Army Corps of Engineers (USACE) appreciate the opportunity to review the Draft report.
3. USACE concurs with the recommendation in the report. USACE requests that final Report be amended to reflect the corrective actions that were already being implemented by USACE and the contractor. Additional details are provided in the attached comments. Also provided for information is a technical fact sheet on the collapsible soils at Kunduz.
4. If you have any questions concerning our comments, please contact Alicia S Matias at 202-761-4573.

See SIGAR
comment 1.


BRENDA L MAYES
Deputy Chief, Internal Review
HQ US Army Corps of Engineers

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USACE RESPONSE TO SIGAR RECOMMENDATIONS KUNDUZ ANA PROJECT

RUST SPOTS and QUALITY OF WELDS

SIGAR RECOMMENDATION 1: Repair the welds and mitigate the rust on steel supports on the affected structures.

See SIGAR
comment 2.

USACE Response: CONCUR. The weld and rust problems, prior to the SIGAR project assessment, were identified through onsite quality assurance inspections. Corrective actions are in place and completed as described in further detail below.

1. RUST SPOTS (pages ii, 4, 6-7, 15-16 in the draft):

a. The senior Quality Assurance Representative (QAR) at the Kunduz Resident Office discovered through direct visual inspections that the rust spots were primarily caused by various sections of the roof not being in place during heavy rains in December 2009 (the SIGAR was briefed regarding this issue during the site assessment). As briefed to the SIGAR on-site team, the QAR indicated that the USACE and the contractor were aware of the deficiencies, and when weather permitted, corrective actions were being affected.

b. Quality Assurance reports provided to the SIGAR team describe in detail the on-going corrective measures, which specifically conform to the SIGAR's recommendations.

2. QUALITY OF WELDS (pages ii, 4, 6-7, 15-16 in the draft):

a. Repair of the welds started several months prior to the SIGAR site assessment, and are now complete. Phase I was completed on Feb 16, 2010 and Phase II was completed on Apr 3, 2010.

b. The Quality Control and Quality Assurance reports furnished to the SIGAR, that were also posted in the USACE Resident Management System (RMS) demonstrate that the USACE Resident Office and contractor were actively resolving this issue prior to the SIGAR site assessment.

SOIL SUBSIDENCE

SIGAR RECOMMENDATION 2: Resolve the soil stability issue and resolve what mitigation or corrective actions are required for DynCorp to complete, including ensuring that the site is properly graded.

See SIGAR
comment 1.

USACE Response: CONCUR. The USACE Resident Engineer Office and contractor are pursuing the appropriate resolution to this problem. Responding to these corrective actions, DynCorp is revising their drainage plan and is currently correcting the contract deficiencies caused by soil subsidence. See enclosed fact sheet.

CONTRACT FILES

SIGAR RECOMMENDATION 3: Ensure the Kunduz Garrison's contract files are maintained according to USACE guidance.

See SIGAR
comment 3.

USACE Response: CONCUR. The USACE found that one contract folder was deficient, and since has been corrected. However, at the time of the site assessment, the documents on the shared drive and in RMS were sufficient to support adequate monitoring and management of the contract. Further, additional documents were available from the official contract files at the District Contracting Office. USACE provides the following information in reply to the issues addressed by the SIGAR auditors:

1. CONTRACT FILES (pages ii, 11-12, and 16 in the draft):

a. Official contract files are only authorized to be kept by the District Contracting Office. EP 415-1-260 allows a working file to be kept by the Resident Office. However, much of the data are in electronic databases, such as RMS, and computer shared drives, that are supplements to the documents in hard-copy format. The auditors did not review all available working contract files in accessible formats. Training certificates reported as unavailable were in fact available from the AED-N shared drive.

b. The USACE maintained adequate files to provide a history of the contracts to the incoming personnel. The current Resident Engineer at the Kunduz Resident Office assigned in March 2010 stated that there was sufficient information in the contract files, on the shared drive, and in RMS for him to serve as the COR and as the RE. The newly assigned Officer-in-Charge of the Kunduz Office provided similar comments to the AED-N Internal Review office.

2. QA REPORTS (pages ii, 4, 6, 11-12, 17 in the draft):

a. RMS had few Quality Assurance (QA) reports from 16 March 2008 (Notice to Proceed) through much of the rest of the year. This occurred because the Kunduz Resident Office was not fully established at the time of contract award. Office staffing, transportation, lack of IT equipment, and connectivity problems (internet access) further contributed to fewer QA reports being completed. More importantly, there were significant security concerns that prevented scheduled site visits from occurring. QA reports prepared by Local National QARs during the 2008 timeframe are available outside of RMS. While these reports served to fill some of the need, the USACE acknowledges that there were limited QA activities in 2008 due to the issues described above.

SIGAR, Page 11 Last Paragraph: "We found that the lack of daily quality assurance reports indicated that the quality assurance process was virtually non-existent during the first 9 months of the project."

See SIGAR
comment 4.

USACE Response: Recommend that this statement be revised to: "QA activities were limited during the first nine months of the project mainly due to security issues that prevented scheduled site visits."

TEMPORARY STRUCTURES

OVERPAYMENT FOR STRUCTURES (pages 11-13, 16 in the draft): Although no recommendation was included, the SIGAR offered that about \$1M was overpaid for two temporary structures. The report also indicated that both the RE and COR stated "... that the contract was written incorrectly." Finally, the SIGAR indicated that AED-N should have known to expect temporary structures instead of permanent.

USACE Response: Although no recommendation was made concerning this matter, the USACE believes that the comments must be addressed to document the record for historical reference purposes. The following comments are provided:

- a. The USACE provided documentation to the SIGAR staff, including excerpts from the Federal Acquisition Regulation (FAR) regarding Firm Fixed Price contracts. The processes for Kunduz resulted in the best value to the government as determined by the Best Value Tradeoff Method.
- b. The USACE does not concur that the "contract was written incorrectly." The contract included technical performance specifications that included the number of people, structures, furniture, etc. The contractor had the burden to meet the specifications, and this was done by the contractor. Finally, the USACE did not expect permanent structures and this is supported by contract provisions that specify that the facility will remain the property of the contractor, and that the contractor must remove all temporary structures and fencing from the site after contract completion.

See SIGAR
comment 5.

The following are SIGAR's comments on USACE's letter dated April 26, 2010:

1. The 14-page fact sheet was similar to other AED-North documentation we reference in the text of the report; therefore, we did not reproduce it as part of USACE's comments.
2. We commend AED-North and DynCorp International for correcting the improper welds and rust issues we observed. At the time of our site inspection in January 2010, the Quality Assurance Representative we spoke with did not state that corrective actions were under way. In addition, QA reports subsequent to our site inspection cited the SIGAR visit as a reason to take corrective action. We have modified the report accordingly.
3. We do not have access to the Resident Management System or to USACE's shared drive. Additionally, AED-North informed us that the hard copy contract files are the official files for these contracts. We reviewed the files provided.
4. As noted in the draft report, we received virtually no quality assurance reports from AED-North covering the first 9 months of the project. In a meeting with us on April 7, 2010, AED-North said they had the missing reports and would provide them to us but did not. We have modified the report to note that security issues limited quality control activities and prevented scheduled site visits.
5. At the time of our site inspection, we relied on statements made by the RE and COR that the "contract was written incorrectly" and the facilities were overpriced. Based on subsequent discussions with AED-North and DynCorp, we agree that the nature of firm, fixed-price contracts does not give AED-North a vehicle to reduce the contract line item value or recover funds once the contract is entered into. Therefore, we have deleted the discussion of the temporary structures from the final report.

**APPENDIX III: COMMENTS FROM NATO TRAINING MISSION-AFGHANISTAN/COMBINED
SECURITY TRANSITION COMMAND-AFGHANISTAN**



REPLY TO
ATTENTION OF

HEADQUARTERS
NATO TRAINING MISSION - AFGHANISTAN
COMBINED SECURITY TRANSITION COMMAND - AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

NTM-A/CSTC-A-CJIG

23 April 2010

MEMORANDUM FOR MEMORANDUM THRU


United States Forces - Afghanistan (CJIG), APO AE 09356
United States Central Command (CCIG), MacDill AFB, FL 33621

FOR Office of the Special Inspector General for Afghanistan Reconstruction, 400 Army Navy
Drive, Arlington, VA 22202

SUBJECT: NTM-A/CSTC-A Response to the Draft Report "ANA Garrison at Kunduz Does
Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed"
(SIGAR Audit 10-09, Contract Performance and Oversight)

1. Reference: Draft Report, dated XX April 2010, Special Inspector General for Afghanistan
Reconstruction (SIGAR), subject as above.
2. The purpose of this memorandum is to concur with the SIGAR's draft report with
comments.
3. Point of contact for this action is LTC Ness, Deputy CJIG at DSN (318) 237-1234, email:
james.w.ness@afghan.swa.army.mil.

Encl
As


JEFFREY L. KENT
COL, SF, USA
Senior ANSF IG Advisor/Command IG

SIGAR DRAFT REPORT
SIGAR 10-09
"ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed" (SIGAR Audit No. 015A)

GENERAL COMMENTS ON THE REPORT

See SIGAR
comment 1.

1. (U) Page i. Delete "Major General Richard P. Formica" as Commanding General, NATO Training Mission Afghanistan/Combined Security Transition Command-Afghanistan and replace with "Lieutenant General William B. Caldwell IV"

See SIGAR
comment 2.

2. (U) Page ii. Paragraph "What SIGAR Reviewed". The report states:

*"This report addresses the **contract's cost**, schedule, and outcome; oversight; and the sustainment of the Kunduz garrison."*

This project is resourced via firm-fixed priced contracts and therefore is not subject to any adjustment due to the cost experience of the contractor during the performance of the contract. We recommend deleting "cost" and replacing with "price."

See SIGAR
comment 2.

3. (U) Page ii, Paragraph "What SIGAR Found". The report states:

"Both phases are scheduled to be completed by August 2010, with cost increases."

This statement may be misinterpreted as a projected cost overrun impacting the government; even though both contracts are firm-fixed-price, under which the contractor's incurred cost does not impact the government. The use of the term "with costs increases" implies costs for an item or service already under contract has increased, such that the completion of the construction resulted in the "cost increases". When in reality the "increased costs" are due to added contract scope for which zero costs were on the contract originally. We believe a more accurate phraseology would be "an increase of \$XXX, XXX to the contract's total agreed-to price" or simply "a \$XXX, XXX increase to the contract price". We recommend the phrase "with cost increases" be deleted. The report's phraseology resembles that used when speaking to government cost-type contracts instead of government firm-fixed price contracts. We recommend the reports' phraseology/verbiage and presentation be changed to avoid these implications.

See SIGAR
comment 3.

4. (U) Page ii, Paragraph "What SIGAR Found" and throughout report. The Report states:

"NTM-A/CSTC-A did not provide us with the ANA Master Plan for Facilities Development, dated October 2005. Without an updated strategy that reflects current ANSF requirements NTM-A/CSTC-A (NTM-A should be omitted) runs the risk of building facilities that do not meet ANA needs."

The statement does not reflect the true state of affairs of NTM-A/CSTC-A operational planning, and the report should make it clear that the strategic positioning of the garrison and the fact that the requirement was given proper scrutiny is not brought into question. This is an operational environment, and the pace at which this Command was required to field and develop security forces should not be under-estimated. The substance of this section is the utilization of documentation that facilitates routine scrutiny of the build, juxtaposed to the requirement and the operational situation. Given the operational pace, our relationship with the Regional Support Teams and continual monitoring of the operational situation, NTM-A/CSTC-A's situational awareness cannot be compared to a command in a CONUS based, stateside environment. Additionally, the planned projected end-strength for 2009 and beyond has changed since 2005. The ANA growth was approved

SIGAR DRAFT REPORT
SIGAR 10-09
"ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed" (SIGAR Audit No. 015A)

GENERAL COMMENTS ON THE REPORT

for 134K by the Joint Coordination Monitoring Board (JCMB) in SEP 08 to be achieved by 2014. The decision to accelerate the growth goal target date was moved from 2014 to OCT 11 and then finally to OCT 10. The accelerated growth decision caused changes to all requirements supporting the ANA. The ANA end-strength was approximately 100,131 in DEC 09. The ANA is expected to grow to 134,000 by the end of OCT 10 and the JCMB approved growth to 171.6K by OCT 11. Any requirement for additional growth will be evaluated at the end of DEC 10. However, the point is well taken; our access to original documentation must be better, for both assessing the continued validity of the requirement and for audit purposes.

Regarding updated strategy that reflects current and future ANSF requirements, NTM-A/CSTC-A has partnered with the Afghan Ministry of Defense and Ministry of Interior to develop and execute plans to establish and sustain Afghan national security. These plans include the ANA Fielding Plan (Annex K), which defines the force structure and order units are built in each fiscal year. The NTM-A/CSTC-A lead staff element for this endeavor is the CJ7 (Force Integration and Training), who develops, synchronizes, and coordinates strategic and operational plans to generate and reform the ANSF through Force Development, Force Integration, Training, and Education. However, the CJ7 was not consulted by SIGAR during their audit. In terms of facility requirements, construction follows operational planning, and thus what is constructed is determined by/in support of the Operational Master Plan.

NTM-A/CSTC-A's operational plan is certainly flexible enough to keep up with events on the ground and changing political realities. However, the core of the Kunduz plan remains certain (e.g. the Germans having primary responsibility for the North which includes the facilities at Kunduz). In Regional Command - North the Germans continue to have primary responsibility for training and will be occupying the Embedded Training Team Compound (ETTC) at Kunduz. On the other hand, the facilities at Garaberi in Regional Command - East will be used/occupied by US forces.

5. (U) Page iii. "TABLE OF CONTENTS":

"Construction of the Kunduz Garrison is not within the Original Schedule and Cost, Page 4"

The title of this section infers that there were construction cost over-runs, which was not the case. The exercise of contract options routinely impacts a contract's completion schedule and the contract's price. Consequently, quite frequently construction contracts are not completed within the original schedule, since the original schedule is superseded due to exercising an option(s). Furthermore, firm-fixed-price contracts are not required to be completed within any specified or "original" cost, as the contractor will receive the agreed-to price regardless of the contractor's cost of construction. The report's phraseology resembles that used when speaking to government **cost-type** contracts instead of government **firm-fixed price** contracts. We are unclear why instances of exercising contract options with corresponding increases to the total agreed-upon firm-fixed price are considered noteworthy. We recommend that this point is clear in the report, and that the reports' phraseology/verbiage and presentation be changed to avoid these implications.

Page 2 of 5

See SIGAR
comments 2
and 3.

SIGAR DRAFT REPORT

SIGAR 10-09

"ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed" (SIGAR Audit No. 015A)

GENERAL COMMENTS ON THE REPORT

"NTM-A/CSTC-A Lacks Overall Planning For ANSF Facilities But Is Developing A Process To Meet Changing Requirements And Provide For Sustainment, Page 14"

The title of this section infers that NTM-A/CSTC-A has no force development and integration system that synchronizes strategic and operational plans to generate the ANSF. Our response in Paragraph 11 further elaborates our position.

6. (U) Page 1. Footnote 4 reads as follows:

*"Firm-fixed-price contracts require the contractor to deliver services within an agreed-upon schedule and **cost**."*

Firm-fixed-price contracts require the contractor deliver services and/or products at an agreed upon price, not within an agreed-upon cost. Firm-fixed-price contracts are awarded based on an agreed-upon amount which constitutes the price to be paid by the government to the contractor. A typical Firm-fixed-price contract only requires the contractor deliver the services and/or products within an agreed-upon schedule and at an agreed-upon price. In return, the government is required to pay the agreed-upon fixed price. We recommend the word "cost" be deleted and replaced with the phrase "at the agreed-upon price".

7. (U) Page 3. The report reads in part:

"As shown in figure 2, the master plan details two phases"

The diagram does not show Phase I and Phase I. Recommend replacing Figure 2 with the diagram that depicts all phases.

8. (U) Page 3. Footnote 6.

The embedded team compound will house German soldiers, not U.S. Soldiers.

9. (U) Pages 4 and 5, "Construction Of The Kunduz Garrison Is Not Within The Original Schedule And Costs".

Recommend that SIGAR emphasize in this section that contract options are formally validated through the NTM-A/CSTC-A Program Management Review (PMR) process. The exercising of options is a deliberate process and synchronized with the programmed ANA end-strength of 134,000 by the end of October 2010 and 171.6K by OCT 2011. However, as stated in the remaining comments, this is a firm-fixed price contract and the discussion in the report is incongruent with the nature of the contract. Additionally, the exercise of contract options routinely supersedes a contract's original completion schedule. Consequently, the original completion schedule should not be used to determine whether the contractor is behind or ahead of schedule. Thus, any discussion of scheduled changes in this report should clearly define the reasons.

See SIGAR
comment 2.

See SIGAR
comment 5.

See SIGAR
comment 6.

See SIGAR
comments 2
and 4.

SIGAR DRAFT REPORT
SIGAR 10-09
"ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to Be Addressed" (SIGAR Audit No. 015A)

GENERAL COMMENTS ON THE REPORT

10. (U) Page 12. In the last paragraph, the report states:

"The contracts for Phase I and II called for the construction of three temporary USACE facilities onsite. The contracts list the cost at about \$571,000 for Phase I and about \$610,000 for Phase II, for a total of more than \$1.1 million; however, we determined that they were overpriced."

See SIGAR
comments 7.

Since the subject contracts are firm-fixed price, each line item within the contracts list the agreed-upon **price**, not **cost**, of the item. Consequently, the \$1.1 million dollar amount includes profit to the contractor, which of course would not be included in an estimate/projection of the actual costs for delivery of the three USACE facilities. We recommend the report be modified to emphasize the estimate of \$192,000 does not include any allowance for contractor profit (assuming it actually does not include any allowance for contractor profit) and the contract line item amounts do include contractor profit.

11. (U) Page 14, "NTM-A/CSTC-A Lacks Overall Planning For ANSF Facilities But Is Developing A Process To Meet Changing Requirements And Provide For Sustainment" and "Lack of Overall Planning for ANSF Facilities, but Process Is Being Developed to Capture Changing Requirements ". The report states:

"NTM-A/CSTC-A was not aware of any planning documents or justification for the garrison that provided information on the strategic deployment of ANA troops, garrison locations, or operations...."

See SIGAR
comment 3.

As stated in Response #4, the statement does not reflect the true state of affairs of NTM-A/CSTC-A operational planning, and the report should make it clear that the strategic positioning of the garrison and the fact that the requirement was given proper scrutiny is not brought into question. This is an operational environment, and the pace at which this Command was required to field and develop security forces should not be under-estimated. The substance of this section is the utilization of documentation that facilitates routine scrutiny of the build, juxtaposed to the requirement and the operational situation. Given the operational pace, our relationship with the Regional Support Teams and continual monitoring of the operational situation, NTM-A/CSTC-A's situational awareness cannot be compared to a command in a CONUS based, stateside environment. Additionally, the planned projected end-strength for 2009 and beyond has changed since 2005. The ANA growth was approved for 134K by the Joint Coordination Monitoring Board (JCMB) in Sep 08 to be achieved by 2014. The decision to accelerate the growth goal target date was moved from 2014 to OCT 11 and then finally to OCT 10. The accelerated growth decision caused changes to all requirements supporting the ANA. The ANA end-strength was approximately 100,131 in DEC 09. The ANA is expected to grow to 134,000 by the end of OCT 10 and the JCMB approved growth to 171.6K by OCT 11. Any requirement for additional growth will be evaluated at the end of DEC 10.

Regarding updated strategy that reflects current and future ANSF requirements, NTM-A/CSTC-A has partnered with the Afghan Ministry of Defense and Ministry of Interior to develop and execute plans to establish and sustain Afghan national security. These plans include the ANA Fielding Plan (Annex K), which defines the force structure and order units are built in each fiscal year. The NTM-A/CSTC-A lead staff element for this endeavor is the

SIGAR DRAFT REPORT
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GENERAL COMMENTS ON THE REPORT

CJ7 (Force Integration and Training), who develops, synchronizes, and coordinates strategic and operational plans to generate and reform the ANSF through Force Development, Force Integration, Training, and Education. However, the CJ7 was not consulted by SIGAR during their audit. In terms of facility requirements, construction follows operational planning, and thus what is constructed is determined by/in support of the Operational Master Plan. NTM-A/CSTC-A's operational plan is certainly flexible enough to keep up with events on the ground and changing political realities.

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Page 5 of 5

The following are SIGAR’s comments on NTM-A/CSTC-A’s letter dated April 23, 2010:

1. Correction made.
2. We changed footnote 4, page 1, to better define a firm fixed-price contract and define cost. Throughout the report, we use the term “cost” to refer to the eventual cost of the garrison to the United States. We understand that under the terms of a firm fixed-price contract, a contractor’s costs are normally not negotiable, and we are not referring to the contractor’s costs. Rather, we are referring to the costs of constructing the garrison as part of U.S. efforts to train and equip the ANA .
3. As we noted in the text of the report, the ANA Master Facilities Plan dated October 2005 was referred to in a budget justification document for fiscal year 2008 provided to us by NTM-A/CSTC-A. We asked NTM-A/CSTC-A officials for a copy of this 2005 Master Plan and any updates to it. NTM-A/CSTC-A could not locate such a document, nor did they refer us to CJ7. Additionally, we asked U.S. Central Command (CENTCOM) to help locate a copy. After we submitted a draft of this report for comment, NTM-A/CSTC-A provided us a document referred to as a “Conceptual Master Plan for the ANA” that was developed in the spring and summer of 2006. CENTCOM also provided some additional information about this document, including some additional pages. The document addresses the mission and facility requirements for a number of ANA command level organizations—including the Kabul Military Training Center, a Ministry of Defense Compound, a Medical Command, an Acquisition Agency, and an Afghan National Army Training Command. The planning and analysis of these ANA facilities appears detailed and comprehensive. However, the plan provided to us does not address ANA garrisons, is not signed or dated, and is missing numerous pages.
4. According to USACE’s Resource Management System and other AED-North documentation and officials from AED-North and DynCorp International, Phases I and II are behind schedule. We also did not mean to imply that exercising contract options was an unexpected cost to the United States and have made this clear throughout the report.
5. We modified the report to indicate that the diagram shown in figure 2 does not show Phase II of the Kunduz ANA garrison.
6. We modified the report to indicate that current plans call for housing German soldiers at the embedded training team compound.
7. At the time of our site inspection, we relied on statements made by the RE and COR that the “contract was written incorrectly” and the facilities were overpriced. In subsequent discussions with AED-North and DynCorp, we agree that the nature of firm, fixed-price contracts does not give AED-North a vehicle to reduce the contract line item value or recover funds once the contract is entered into. Therefore, we have deleted the discussion of the temporary structures from the final report.

(This report was completed under the audit project code SIGAR-015A).

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